

HEMATITE TOWNSHIP

(IRON)

Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

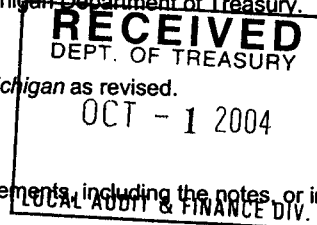
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HEMATITE TOWNSHIP	County IRON
Audit Date MARCH 31, 2004	Opinion Date JULY 06, 2004	Date Accountant Report Submitted to State: SEPTEMBER 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) DS ROSTAGNO, CPA, P.C.			
Street Address 101 WEST MAPLE STREET		City IRON RIVER	State MI
Accountant Signature <i>Dianna J. Rostagno</i>		ZIP 49935	Date SEPTEMBER 28, 2004

TABLE OF CONTENTS

	<u>Page</u>
Report Letter	3-4
Management's Discussion and Analysis	5-16
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	19
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Enterprise Fund - Statement of Fund Net Assets	23
Enterprise Fund - Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
Enterprise Fund - Statement of Cash Flows	25-26
Fiduciary Fund - Statement of Fiduciary Net Assets	27
Statement of changes in Fiduciary Net Assets	28
Notes to the Financial Statements	29-88
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	89
Other Supplemental Information	
Combining Balance Sheet - Non-major Governmental Funds	90
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-major Governmental Fund	91
Combining Balance Sheet - All Special Revenue Funds	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity - All Special Revenue Fund Types	93
Combining Balance Sheet - Debt Service Fund Types	94

TABLE OF CONTENTS

Other Supplemental Information (Continued)	<u>Page</u>
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings - All Debt Service Fund Types	95
Combining Balance Sheet - Trust and Agency Funds	96
Balance Sheet - General Fund	97
Statement of Revenues - General Fund - Actual and Budget	98
Statement of Expenditures - General Fund - Actual and Budget	99-101
Balance Sheet - Cemetery Fund	102
Statement of Revenues, Expenditures, and Changes in Fund Equity - Cemetery Fund	103
Balance Sheet - Liquor Law Enforcement Fund	104
Statement of Revenues, Expenditures, and Changes in Fund Equity - Liquor Law Enforcement Fund	105
Balance Sheet - Amasa Community Library	106
Statement of Revenues, Expenditures, and Changes in Fund Equity - Amasa Community Library	107
Balance Sheet - Debt Service Fund	108
Statement of Revenues, Expenditures, and Changes in Fund Equity - (Debt Service Fund Type)	109
Balance Sheet - Hematite Township Building Authority - (Debt Service Fund Type)	110
Statement of Revenues, Expenditures, and Changes in Fund Equity - Hematite Township Building Authority - (Debt Service Fund Type)	111
Balance Sheet - Water Fund	112
Statement of Revenues, Expenses, and Changes in Retained Earnings - Water Fund	113
Statement of Cash Flows - Proprietary Fund	114-115
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	129-130

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

Board of Trustees
Hematite Township
Amasa, Michigan 49903

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Hematite Township**, as of and for the fiscal year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hematite Township** at March 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note A, **Hematite Township** has implemented a new financial reporting model, as required by the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 01, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 06, 2004 on our consideration of **Hematite Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 16 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hematite Township's basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dianne S. Rostagno
DS ROSTAGNO, CPA, D.C.

July 06, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

HEMATITE TOWNSHIP

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The management of **Hematite Township** provides this narrative overview and analysis of the financial activities of **Hematite Township** for the fiscal year ended March 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, culture and recreation, community development, debt service, and capital outlay. The business-type activity of the Township is the Water Utility service.

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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Hematite Township Building Authority, both of which are considered major funds. The Cemetery, Liquor Law Enforcement, Amasa Community Library, and the Debt Service Funds are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

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Governmental Funds (Continued)

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility Funds is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund (and agency fund), and the Employee Tax Fund (a private purpose trust fund). Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

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Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 624,665 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2004, the Township reported \$ 380,457 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 210,731 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 616,801 and \$ 7,864, respectively.

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Government-wide Financial Analysis (Continued)

Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2004: Although GASB 34 requires that comparative financial data be presented, since this is the first year of implementation, prior year data is not available. Comparative financial data will be included in this schedule in subsequent years.

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 236344	\$ 18344	\$ 254688
Capital assets, net	<u>523257</u>	<u>1674</u>	<u>524931</u>
Total Assets	759601	20018	779619
<u>Liabilities</u>			
Long-term liabilities	\$ 112800	\$ 0	\$ 112800
Other liabilities	<u>30000</u>	<u>12154</u>	<u>42154</u>
Total Liabilities	142800	12154	154954
<u>Net Assets</u>			
Invested in capital assets, net of related debt	380457	0	380457
Restricted	25613	7864	33477
Unrestricted	<u>210731</u>	<u>0</u>	<u>210731</u>
Total Net Assets	\$ 616801	\$ 7864	\$ 624665

For governmental activities, net assets increased by \$ 12,000 during the fiscal year. For business-type activities, net assets decreased by \$ 15,411 during the fiscal year.

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Government-wide Financial Analysis (Continued)

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the fiscal year ended March 31, 2004: (Please note that since this is the first year of implementation of GASB 34, prior year financial data is not available, but will be provided in subsequent years).

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<i>Program Revenues</i>			
Charges for Services	\$ 39933	\$ 50744	\$ 90677
Capital grants	6969		6969
<i>General Revenues</i>			
Property taxes	63572		63572
Other taxes	29046		29046
Unrestricted grants	28482		28482
Other	<u>16085</u>	<u>327</u>	<u>16412</u>
Total Revenues	184087	51071	235158
<u>EXPENSES</u>			
General government	\$ 33156	\$	\$ 33156
Legislative	28703		28703
Township property	39922		39922
Public safety	9060		9060
Public works	7800		7800
Cemetery	3305		3305
Culture and recreation	11986		11986
Community development	665		665
Interest on long-term debt	8283		8283
Depreciation	<u>29207</u>	<u></u>	<u>29207</u>
Total governmental expenses	\$ 172087	\$ -0-	\$ 172087

Hematite Township is an equal opportunity provider and employer.

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Government-wide Financial Analysis (Continued)

Results of Operations (Continued)

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Business-type activities:</u>			
Water	\$ _____	\$ <u>66482</u>	\$ <u>66482</u>
Total business-type expenses	-0-	66482	66482
TOTAL EXPENSES	\$ 172087	\$ 66482	\$ 238569
 Increase (Decrease) in net assets before transfers	 12000	 (15411)	 (3411)
Transfers - net	0	0	0
 Increase (Decrease) in Net Assets	 12000	 (15411)	 (3411)
 Net Assets, beginning of year	 <u>604801</u>	 <u>23275</u>	 <u>628076</u>
Net Assets, end of year	\$ <u>616801</u>	\$ <u>7864</u>	\$ <u>624665</u>

Governmental Activities

Property taxes and other tax revenues comprise \$ 92,618 or approximately 50 percent of total governmental revenues.

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Governmental Activities (Continued)

The Township also collected \$ 39,933 for services provided. And, at fiscal year-end, the Township reported \$ 28,482 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$ 172,087 on governmental programs and services. One of the largest expense categories was for Township property, where \$ 39,922, or 23 percent of total governmental expenditures occurred. Of this total for Township property, \$ 24,825 was expended for hall rental from the Hematite Township Building Authority. \$ 33,156 was expended for general government, \$ 29,207 for depreciation, and \$ 28,703, or 17 percent of total expenditures, was used for administration.

Business-type Activities

Business-type activities decreased the Township's net assets by \$ 15,411. Charges for services for the Water Utility activities for the year ended were \$ 50,744. Total expenses for the Water Utility activities for the year ended were \$ 66,482.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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Governmental Funds (Continued)

The Township's governmental funds reported combined ending fund balances of \$ 245,201, of which \$ 25,613 is reserved and the remaining \$ 219,588 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues slightly less than the final budget projection, but slightly more than the original budgeted amounts. Expenditures were also slightly less than the final amended budget, but more than the original budget. And, at fiscal year-end, the fund balance was slightly lower than either the original or the final amended budget projections.

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded final budgetary projections by \$ 5,118.
- * State sales tax distributions were up from the final amended budget, coming in at \$ 28,482, which exceeds by \$ 2,482 the budgeted estimates of \$ 26,000.
- * Expenditures in total for the general fund were \$ 140,103, less than the final amended budget by \$ 5,897. This small variance was due to small variances throughout, and is not attributable to any specific governmental activity.

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Financial Analysis of the governmental Funds (Continued)

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at year-end were \$ 7,864. The change in net assets was a loss of \$ 15,411.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 524,931. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 1,264 or less than one percent of the estimated original cost of total assets. All infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

Major capital events during the current fiscal year included:

- * Purchase of equipment for the fire department, including a radio charger and speaker, Scott airpicks, six two-way radios and other fire equipment, as well as office equipment (copier and computer) and new accounting software. The total cost of acquiring these assets was \$ 16,117.

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Capital Assets and Debt Administration (Continued)

Long-term debt

As of March 31, the Township (including the enterprise funds) had total bonded debt outstanding of \$ 142,800, all of which is backed by the full faith and credit of the government. This consists of \$ 75,000 for the Building Authority bonds, and \$ 67,800 to UDSA (Rural Development) for the fire truck.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation is significantly higher than the Township's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

Other Economic Factors and Next Year's Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township's fiscal year 2004-2005 general fund budget is \$ 279,000 representing a significant increase from the previous fiscal year. This is due to the fact that the budget includes the purchase of a new fire truck, to be purchased in conjunction with a \$ 131,000 FEMA grant.

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Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

Significant plans and major priorities for the Township for the 2004-2005 fiscal year include the following:

- . Receipt of a FEMA grant in the amount of \$ 131,000 for the purchase of a new fire truck.
- . Begin construction on a \$ 1,178,000 water system project.

There are no significant tax rate or fee charges being implemented for 2004-2005.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Hematite Township
P.O. Box 67
Amasa, Michigan 49903

BASIC FINANCIAL STATEMENTS

HEMATITE TOWNSHIP

STATEMENT OF NET ASSETS

MARCH 31, 2004

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL REPORTING ENTITY
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents (Note C)	\$ 229440	\$ 15608	\$ 245048
Receivables			
Taxes	6904		6904
Accounts Receivable	0	2736	2736
Due from Other Governmental Units	<u> </u>	<u> </u>	<u>0</u>
Total Current Assets	236344	18344	254688
<u>Noncurrent Assets</u>			
Capital Assets, Net (Note H)	<u>523257</u>	<u>1674</u>	<u>524931</u>
Total Noncurrent Assets	523257	1674	524931
TOTAL ASSETS	759601	20018	779619
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	0	10840	10840
Current portion of long-term debt	30000		30000
Deferred Revenue	<u> </u>	<u>1314</u>	<u>1314</u>
Total Current Liabilities	30000	12154	42154
<u>Long-Term Liabilities</u>			
Bonds Payable	<u>112800</u>	<u> </u>	<u>112800</u>
Total Long-Term Liabilities	112800	0	112800
TOTAL LIABILITIES	142800	12154	154954
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	380457		380457
Restricted for Debt Service	614		614
Restricted for Cemetery	7316		7316
Restricted for Amasa Community Library	17683		17683
Restricted for Water Utility		7864	7864
Unrestricted	<u>210731</u>	<u> </u>	<u>210731</u>
TOTAL NET ASSETS	\$ <u>616801</u>	\$ <u>7864</u>	\$ <u>624665</u>

The notes to the financial statements are integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>
Primary Government -	\$	\$	\$	\$
General government	33156			
Legislative	28703			
Township property	39922	25095		
Public safety	9060	4341		6969
Public works	7800			
Cemetery	3305	5575		
Culture and recreation	11986	4922		
Community development	665			
Interest on long-term debt	8283			
Depreciation (Unallocated)	<u>29207</u>			
Total Governmental Activities	172087	39933		6969
 <u>Business-type Activities</u>				
Water Utility	<u>66482</u>	<u>50744</u>		
Total Business-type Activities	66482	50744	0	0

General Revenues:

Taxes:

Property taxes levied for general operations
 Other taxes and fees
 State Sales Tax Distribution
 Sale of Property
 Interest and Investment Earnings
 Other

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

HEMATITE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$	\$	\$
(33156)		(33156)
(28703)		(28703)
(14827)		(14827)
2250		2250
(7800)		(7800)
2270		2270
(7064)		(7064)
(665)		(665)
(8283)		(8283)
<u>(29207)</u>		<u>(29207)</u>
(125185)	-0-	(125185)
	<u>(15738)</u>	<u>(15738)</u>
-0-	(15738)	(140923)
63572		63572
29046		29046
28482		28482
9616		9616
4461	327	4788
<u>2008</u>		<u>2008</u>
<u>137185</u>	<u>327</u>	<u>137512</u>
12000	(15411)	(3411)
<u>604801</u>	<u>23275</u>	<u>628076</u>
\$ <u>616801</u>	\$ <u>7864</u>	\$ <u>624665</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>BUILDING AUTHORITY FUND</u>	<u>NON-MAJOR GOVERN- MENTAL FUND</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Investments (Note C) \$	\$	\$	\$	\$
Unrestricted	203827	614	24999	229440
Receivables:				
Taxes	6904			6904
Accounts Receivable				
Due from Other Funds	<u>8857</u>	<u> </u>	<u> </u>	<u>8857</u>
TOTAL ASSETS	\$ <u>219588</u>	\$ <u>614</u>	\$ <u>24999</u>	\$ <u>245201</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	-0-	-0-	-0-	-0-
<u>FUND BALANCES</u>				
Reserved for Debt Service		614		614
Reserved for Cemetery			7316	7316
Reserved for Amasa Community Library			17683	17683
Unreserved and undesignated	<u>219588</u>	<u> </u>	<u> </u>	<u>219588</u>
TOTAL FUND BALANCES	219588	614	24999	245201
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>219588</u>	\$ <u>614</u>	\$ <u>24999</u>	\$ <u>245201</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 245201
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of capital assets is:	726608
Accumulated depreciation is:	(203351)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(142800)
Compensated Absences	0
Other long-term assets not available to pay current period expenditures therefore deferred in the funds	0
Accrued interest is not included as a liability in governmental funds	0
Amounts due to other non-governmental funds are not reported in the government-wide financial statements	<u>(8857)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u><u>616801</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

MARCH 31, 2004

	GENERAL FUND	BUILDING AUTHORITY FUND	NON-MAJOR GOVERN- MENTAL FUND	TOTAL GOVERN- MENTAL FUNDS
<u>REVENUE</u>				
General Property taxes	\$ 63572	\$	\$	\$ 63572
Other local taxes	29046			29046
Licenses, permits, and fees				0
Sale of property	9616		800	10416
Use of money and property	4592	24833	131	29556
Charges for services	500		4775	5275
Miscellaneous	4557			4557
Recovered costs				0
Intergovernmental	<u>35451</u>	<u></u>	<u>6214</u>	<u>41665</u>
TOTAL REVENUE	\$ 147334	\$ 24833	\$ 11920	\$ 184087
<u>EXPENDITURES</u>				
<u>Current Operating</u>				
General government	33156			33156
Legislative	28703			28703
Township property	39922			39922
Public safety	7490		1570	9060
Public works	7800			7800
Cemetery			3305	3305
Culture and recreation	6250		5736	11986
Community development	665			665
Debt Service				
Principal		20000	5000	25000
Interest and fees		4825	3458	8283
Capital Outlay	16117			16117
Intergovernmental Payments	<u>0</u>	<u></u>	<u></u>	<u>0</u>
TOTAL EXPENDITURES	140103	24825	19069	183997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7231	8	(7149)	90
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	0	0	9736	9736
Operating transfers out	<u>(9736)</u>	<u></u>	<u></u>	<u>(9736)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(9736)	0	9736	0
NET CHANGE IN FUND BALANCES	(2505)	8	2587	90
FUND BALANCES - BEGINNING OF YEAR	<u>222093</u>	<u>606</u>	<u>22412</u>	<u>245111</u>
FUND BALANCES - END OF YEAR	\$ <u>219588</u>	\$ <u>614</u>	\$ <u>24999</u>	\$ <u>245201</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	90
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense		(29207)
Capital Outlay		<u>16117</u>
Total		(13090)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds		0
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		0
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		25000
Increases (Decreases) in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		0
Eliminate interfund transfers to non-governmental funds		<u>0</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>12000</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND

MARCH 31, 2004

	<u>WATER FUND</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash, unrestricted	\$ 15608
Accounts Receivable, net	2736
Due from other funds	<u>0</u>
Total Current Assets	18344
<i>Non-current Assets</i>	
Capital Assets	
Equipment	1326
Infrastructure	1264
Less:	
Allowance for depreciation	<u>(916)</u>
Total Capital Assets, net	1674
Total Non-current Assets	1674
TOTAL ASSETS	20018
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	10840
Deferred revenues	<u>1314</u>
Total Current Liabilities	12154
TOTAL LIABILITIES	12154
<u>NET ASSETS</u>	
Restricted	7864
Unrestricted	<u>0</u>
TOTAL NET ASSETS	\$ <u>7864</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

MARCH 31, 2004

		<u>WATER FUND</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$	<u>50744</u>
Total Operating Revenues		50744
<u>OPERATING EXPENSES</u>		
Personal Services and Benefits		4498
Contractual Services		46043
Water Purchase		9973
Repairs and Maintenance		2757
Other Supplies and Expenses		2841
Depreciation		<u>370</u>
Total Operating Expenses		66482
OPERATING INCOME (LOSS)		(15738)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Revenue		327
Total Non-Operating Revenues (Expenses)		327
CHANGE IN NET ASSETS		(15411)
NET ASSETS, BEGINNING OF YEAR		<u>23275</u>
NET ASSETS, END OF YEAR	\$	<u><u>7864</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>
CASH FLOWS FROM (USED BY)	
<u>OPERATING ACTIVITIES</u>	
Net cash received from fees and services	\$ 50849
Other operating revenues	0
Cash payments to employees for services	(4498)
Cash payments for goods and services	(51782)
Other operating expenses	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ (5431)
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>	
Increase (decrease) in due to other funds	0
Net operating transfers in (out)	<u>0</u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	0
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	<u>0</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	0
<u>INVESTING ACTIVITIES</u>	
Interest income	<u>327</u>
NET CASH FROM INVESTING ACTIVITIES	327
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5104)
 Cash and Cash Equivalents, Beginning of year	 <u>20712</u>
Cash and Cash Equivalents, End of Year	\$ 15608

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating Income	\$ (15738)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	370
. Provision for uncollectible accounts	0
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	(879)
Increase (Decrease) in accounts payable	9832
Increase (Decrease) in customer deposits	0
Increase (Decrease) in deferred revenue	<u>984</u>
 NET CASH FROM OPERATING ACTIVITIES	 \$ <u>(5431)</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS**

MARCH 31, 2004

<u>ASSETS</u>	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
Cash and Cash Equivalents	\$ 128	\$ 68413
TOTAL ASSETS	128	68413
 <u>LIABILITIES</u>		
Due to Other Funds	0	8729
Due to Other Governmental Units		59684
Accrued Benefits	128	0
TOTAL LIABILITIES	128	68413
 <u>NET ASSETS</u>		
Restricted for Employee Benefits	0	
Unrestricted		0
TOTAL NET ASSETS	\$ 0	\$ 0

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED MARCH 31, 2004

	PRIVATE- PURPOSE <u>TRUST FUND</u>
<u>ADDITIONS</u>	
Contributions from Hematite Township	\$ <u>11667</u>
Total Additions	11667
<u>DEDUCTIONS</u>	
Employee sick leave benefits paid	<u>11667</u>
Total Deductions	11667
CHANGE IN NET ASSETS	0
NET ASSETS, BEGINNING OF YEAR	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u><u>-0-</u></u>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL
STATEMENTS**

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Hematite Township, Amasa, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township was organized in 1891 and covers an area of 99000 acres. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 366 residents in many areas including law enforcement, general administration and water services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of the Hematite Township Building Authority are included in the financial statements of the Township.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The Hematite Township Building Authority is blended as part of the primary government because its sole purpose is to finance and construct Hematite Township's public buildings.

HEMATITE TOWNSHIP BUILDING AUTHORITY

The Hematite Township Building Authority was created by the Township Board of Hematite Township as a separate entity.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY
(Continued)

The Articles of Incorporation were adopted by the Township Board on June 27, 1996 under the provisions of Act 31, Public Acts of Michigan, 1948 for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, parking lots or structures, recreational facilities, stadiums, and the necessary sites, and for any and all other purposes authorized and permitted by Act 31.

The Authority is governed by a three member commission consisting of the Chairman, Secretary, and Treasurer.

The Authority entered into an agreement to borrow \$200,000 to be used for the construction of a new Township Hall through the issuance of general obligation limited tax bonds.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEMATITE TOWNSHIP BUILDING AUTHORITY
(Continued)

The bonds are secured by a legal agreement with Hematite Township and will be retired through lease payments with the Township.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements
(Continued)

Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)
Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency).

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the Township.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Liquor Law Enforcement, Amasa Community Library Fund and Cemetery Fund are Special Revenue Funds. All three Special Revenue Funds are considered non-major funds for reporting purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service fund is a non-major fund for reporting purposes.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund (Continued)

The Hematite Township Building Authority has been included as Debt Service Fund type. The governmental funds use the modified accrual basis of accounting. For reporting purposes, the Hematite Township Building Authority is a major fund.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS (Continued)

Enterprise Funds (Continued)

The Township's Water Fund is a Proprietary Fund.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's Current Tax Collection Fund (Agency Fund) and the Employee Tax Fund (Private Purpose Trust Fund) are Fiduciary Funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS (Continued)

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Debt Service funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are expended as received.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS (Continued)

These interfund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY (Continued)

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

The Township's property taxes are levied and become a lien on each December 01st based on the taxable valuation of property located in the Township as of the preceding December 31st.

These taxes are due on February 14th with the final collection date of February 28th before they are added to the County delinquent tax rolls. Although the Township ad valorem tax is levied and collectible on December 01st, it is the Township's policy to recognize revenue from the current tax levy in the fiscal year for which they have been levied and became available. The 2003 Taxable Valuation of the Township totaled \$ 10,341,650, on which ad valorem taxes levied consisted of 6.1477 mills for the Township operating purposes.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	20 - 30 years
Infrastructure.....	10 - 65 years
Furniture and Other Equipment.....	5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

The Township has no employees eligible to accrue vacation or sick leave benefits.

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the interfund receivables and payables as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 8857	\$ 0
Trust and Agency	0	8857
Totals	\$ <u>8857</u>	\$ <u>8857</u>

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS

Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year ended March 31, 2004, the Township authorized the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 9736
Liquor Law Enforcement Fund	278	0
Amasa Community Library	1000	0
Debt Service	<u>8458</u>	<u>0</u>
 Total Operating Transfers	 \$ <u>9736</u>	 \$ <u>9736</u>

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2004, the carrying value of the Township's deposits (Primary Government) was \$ 313,589 and is comprised of cash and deposits reflected in the following funds:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

<i>Governmental Funds</i>	
General Fund	\$ 203827
Amasa Community Library	17683
Cemetery Fund	7316
Debt Service	0
Building Authority	<u>614</u>
<i>Total Governmental Funds</i>	<i>229440</i>
<i>Enterprise Funds</i>	
Water Fund	<u>15608</u>
<i>Total Enterprise Funds</i>	<i>15608</i>
<i>Fiduciary Funds</i>	
Tax Collection Fund	68413
Employee Tax Fund	<u>128</u>
<i>Total Fiduciary Funds</i>	<i>68541</i>
TOTAL PRIMARY GOVERNMENT	\$ 313589

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1	Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.
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Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
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HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3 Deposits which are not
 collateralized or
 insured.

Based on these levels of risk, the Township's
cash deposits (Primary Government) are
classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 218878	\$ -0-	\$ 94711	\$ 313589

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with it's investment policy.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE D - PENSION PLAN

The Township maintains a fully funded pension plan for its full-time employees and trustees through Manulife Financial. The contribution for the year ended March 31, 2004 was \$ 6,094 of which \$ 3,058 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of June 2003, the value of account balances was \$ 44,732.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)

BUDGET VIOLATIONS (Continued)

The approved budgets of Hematite Township were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

The total actual 2003-2004 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 2,033 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>EXPENDITURES</u>
<u>General Fund</u>			
Public Safety	\$ 7490	\$ 6400	\$ 1090
Community Promotion	665	0	665
Transfer Out	9736	9458	278

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2004, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2004:

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	132	0	0	132
Total Capital Assets Not Being Depreciated	\$ 132	\$ 0	\$ 0	\$ 132
Other Capital Assets				
Land Improvements	2962			2962
Buildings	406278			406278
Furniture & Other Equip.	301286	15950	0	317236
Total Other Cap. Assets	\$ 710526	\$ 15950	\$ 0	\$ 726476
Less Accumulated Depreciation for:				
Land Improvements	(518)	(148)		(666)
Buildings	(41415)	(8126)	0	(49541)
Furniture & Other Equip.	(132211)	(20934)	0	(153145)
Total Accum. Depreciation	(174144)	(29208)	0	(203352)
Other Capital Assets, Net	536382	(13258)	0	523124
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>536514</u>	\$ <u>(13258)</u>	\$ <u>0</u>	\$ <u>523256</u>

Depreciation was charged to governmental functions as unallocated.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2004:

<u>BUSINESS-TYPE ACTIVITIES</u>	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets:</u>				
Machinery and Equipment	1326	0	0	1326
Water Mains/Lines	<u>1264</u>	<u>0</u>	<u>0</u>	<u>1264</u>
Total Capital Assets	\$ 2590	\$ 0	\$ 0	\$ 2590

(Continued on page 80)

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	\$ (95)	\$ (189)	\$ 0	\$ (284)
Water Mains/Lines	<u>(451)</u>	<u>(181)</u>	<u>0</u>	<u>(632)</u>
Total Accumulated Depreciation	<u>(546)</u>	<u>(370)</u>	<u>0</u>	<u>(916)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>2044</u>	\$ <u>(370)</u>	\$ <u>0</u>	\$ <u>1674</u>

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE I - LONG-TERM DEBT

	<u>March 31, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>March 31, 2004</u>
Building Authority Bonds Payable	\$ 95000	\$	\$ 20000	\$ 75000
USDA Rural Development Notes Payable	<u>72800</u>	<u>0</u>	<u>5000</u>	<u>67800</u>
Total	\$ 167800	\$ 0	\$ 25000	\$ 142800

TOWNSHIP OF HEMATITE BUILDING AUTHORITY

On October 01, 1996, the Township of Hematite Building Authority issued a 1996 Building Authority Bond (General Obligation Limited Tax).

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY
(Continued)

The bond is one of a total authorized issue of bonds of even Date of Original Issue aggregating the principal sum of \$ 200,000, issued under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 31, and pursuant to the Resolution duly adopted by the Commission of the Authority for the purpose of paying the cost of acquiring, constructing, and equipping a building to be used by the Township to house a library, meeting room, and fire department.

The payments required to amortize this debt are as follows:

<u>Year Ending</u> <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 25000.00	\$ 3575.00	\$ 28575.00

(Continued on page 83)

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

TOWNSHIP OF HEMATITE BUILDING AUTHORITY
(Continued)

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 25000.00	\$ 2162.50	\$ 27162.50
2007	25000.00	1450.00	26450.00
	<hr/>	<hr/>	<hr/>
	\$ 75000.00	\$ 7187.50	\$ 82187.50

USDA/RURAL DEVELOPMENT

On April 17, 2002, the Township was awarded a loan/grant from the United States Department of Agriculture/Rural Development for the purpose of purchasing and equipping a fire truck. The Township received a grant in the amount of \$40,000, a loan in the amount of \$77,800, with Township matching funds of \$50,000, for the total project cost of \$167,800.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

USDA/RURAL DEVELOPMENT (Continued)

The note bears interest at the rate of 4.75%, and is payable on April 01 and October 01 of each year. Principal payments are due on April 01 in the amount of \$ 5,000 from 2003 through 2014; in the amount of \$ 6,000 on April 01, 2015 and 2016, and on April 01, 2017 in the amount of \$ 6,800, when the note matures.

NOTE J - SEGMENT INFORMATION - Enterprise Funds

	<u>Water Fund</u>
Operating Revenues	\$ 50744
Depreciation and Amortization Expense	370
Operating Income or (Loss)	(15738)

(Continued on page 85)

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

		<u>Water Fund</u>
Operating Grants, Entitlements, and Shared Revenues	\$	0
Operating Transfers:		
In		0
(Out)		0
Tax Revenues		0
Net Income or Loss		(15411)
Current Capital:		
Contributions		0
Transfers		0
Property, Plant, and Equipment		
Additions		0
Deletions		0

(Continued on page 86)

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

		<u>Water</u>
		<u>Fund</u>
Net Working Capital	\$	6190
Total Assets		20018
Bonds and Other Long-Term		
Liabilities		
Payable from Operating Revenues		0
Payable from Other Sources		0
Total Equity		7864

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

HEMATITE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

HEMATITE TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

NOTE L - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2004, there were no subsequent events that would have a significant affect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies to be reported for the Township for the fiscal year ended March 31, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

HEMATITE TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
General property taxes	\$ 61000	\$ 61000	\$ 63572
Other local taxes	25550	26500	29046
Fire protection agreement	500	500	500
Licenses, permits, and fees	0	0	0
Sale of property			9616
Use of money and property	5500	5500	4592
Miscellaneous	12735	35000	4557
Intergovernmental	<u>26000</u>	<u>26000</u>	<u>35451</u>
TOTAL REVENUES	131285	154500	147334
<u>EXPENDITURES</u>			
General government	34125	34250	33156
Legislative	28025	29565	28703
Township property	34325	43575	39922
Public Works	7910	8210	7800
Public Safety	5000	6400	7490
Culture and Recreation	6500	6500	6250
Community development			665
Capital Outlay	<u>7350</u>	<u>17500</u>	<u>16117</u>
TOTAL EXPENDITURES	123235	146000	140103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8050	8500	7231
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers out	<u>(9400)</u>	<u>(9458)</u>	<u>(9736)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(9400)	(9458)	(9736)
NET CHANGE IN FUND BALANCE	(1350)	(958)	(2505)
FUND BALANCE, APRIL 01	222093	222093	222093
FUND BALANCE, MARCH 31	\$ <u>220743</u>	\$ <u>221135</u>	\$ <u>219588</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

HEMATITE TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

MARCH 31, 2004

<u>ASSETS</u>	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>AMASA COMMUNITY LIBRARY</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Cash and Investments (Note C)	\$ 7316	\$ -0-	\$ 17683	\$ -0-	\$ 24999
TOTAL ASSETS	\$ 7316	\$ -0-	\$ 17683	\$ -0-	\$ 24999
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES					
Reserved for Cemetery	7316				7316
Reserved for Amasa Community Library			17683		17683
Reserved for Debt Service	0		0		0
Unreserved and Undesignated	<u>0</u>	<u>-0-</u>	<u>0</u>	<u>-0-</u>	<u>0</u>
TOTAL FUND BALANCES	\$ <u>7316</u>	\$ <u>-0-</u>	\$ <u>17683</u>	\$ <u>-0-</u>	\$ <u>24999</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUND**

YEAR ENDED MARCH 31, 2004

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	AMASA COMMUNITY LIBRARY	DEBT SERVICE FUND	TOTAL
REVENUE					
Sale of property	\$ 800	\$	\$	\$	\$ 800
Use of money and property					
Charges for services	4775		131		131
Intergovernmental		1292	4922	0	4775
					6214
TOTAL REVENUE	\$ 5575	\$ 1292	\$ 5053	\$ 0	\$ 11920
EXPENDITURES					
Current					
Public safety		1570			1570
Cemetery	3305				3305
Culture and recreation					
Debt Service			5736		5736
Principal					
Interest and Fees				5000	5000
				3458	3458
TOTAL EXPENDITURES	3305	1570	5736	8458	19069
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2270	(278)	(683)	(8458)	(7149)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	278	1000	8458	9736
Operating transfers out	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	278	1000	8458	9736
NET CHANGE IN FUND BALANCES	2270	0	317	0	2587
FUND BALANCES - BEGINNING OF YEAR	5046	0	17366	0	22412
FUND BALANCES - END OF YEAR	\$ 7316	\$ 0	\$ 17683	\$ 0	\$ 24999

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2004

	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>AMASA COMMUNITY LIBRARY</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Cash	\$ 7316	\$ -0-	\$ 17683	\$ 24999
TOTAL ASSETS	\$ <u>7316</u>	\$ <u>-0-</u>	\$ <u>17683</u>	\$ <u>24999</u>
 <u>FUND EQUITY</u>				
Fund Balance, Reserved	7316	-0-	17683	24999
TOTAL FUND EQUITY	\$ <u>7316</u>	\$ <u>-0-</u>	\$ <u>17683</u>	\$ <u>24999</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY ALL SPECIAL REVENUE FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUE</u>	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT</u>	<u>AMASA COMMUNITY LIBRARY</u>	<u>TOTALS</u>
<u>Local Sources</u>				
Charges for Services	\$ 4775	\$	\$	\$ 4775
Sale of Lots	<u>800</u>	<u>0</u>	<u>0</u>	<u>800</u>
Total Local Sources	5575	0	0	5575
<u>State Sources</u>				
Liquor Law Enforcement Fees	0	1292		1292
Penal Fines			4922	4922
Donations				0
Interest	<u>0</u>	<u>0</u>	<u>131</u>	<u>131</u>
Total State Sources	0	1292	5053	6345
TOTAL REVENUES	5575	1292	5053	11920
<u>EXPENDITURES</u>				
Cemetery	3305			3305
Public Safety		1570		1570
Library	<u>0</u>	<u>0</u>	<u>5736</u>	<u>5736</u>
TOTAL EXPENDITURES	<u>3305</u>	<u>1570</u>	<u>5736</u>	<u>10611</u>
Excess of Revenues Over (Under) Expenditures	2270	(278)	(683)	1309
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	<u>0</u>	<u>278</u>	<u>1000</u>	<u>1278</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2270	-0-	317	2587
FUND BALANCE, APRIL 1	<u>5046</u>	<u>-0-</u>	<u>17366</u>	<u>22412</u>
FUND EQUITY, MARCH 31	\$ <u><u>7316</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>17683</u></u>	\$ <u><u>24999</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET DEBT SERVICE FUND TYPES

MARCH 31, 2004

<u>ASSETS</u>	<u>DEBT SERVICE FUND</u>	<u>HEMATITE TOWNSHIP BUILDING AUTHORITY</u>	<u>TOTAL</u>
Cash and Deposits	\$ -0-	\$ 614	\$ 614
TOTAL ASSETS	\$ -0-	\$ 614	\$ 614
<u>FUND EQUITY</u>			
Fund Balance	-0-	614	614
TOTAL FUND EQUITY	\$ -0-	\$ 614	\$ 614

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY ALL DEBT SERVICE FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2004

	<u>DEBT SERVICE FUND</u>	<u>HEMATITE TOWNSHIP BUILDING AUTHORITY</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Rental Income	\$ -0-	\$ 24825	\$ 24825
Interest Income	<u>-0-</u>	<u>8</u>	<u>8</u>
TOTAL REVENUES	-0-	24833	24833
<u>EXPENDITURES</u>			
Principal	5000	20000	25000
Interest	<u>3458</u>	<u>4825</u>	<u>8283</u>
TOTAL EXPENDITURES	8458	24825	33283
Excess of Revenues (Over) (Under) Expenditures	(8458)	8	(8450)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers (Out)	<u>8458</u>	<u>0</u>	<u>8458</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-0-	8	8
FUND BALANCE, APRIL 1	<u>-0-</u>	<u>606</u>	<u>606</u>
FUND BALANCE, MARCH 31	\$ <u><u>-0-</u></u>	\$ <u><u>614</u></u>	\$ <u><u>614</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

COMBINING BALANCE SHEET
TRUST & AGENCY FUNDS

FISCAL YEAR ENDED MARCH 31, 2004

<u>ASSETS</u>	<u>TAX COLLECTING FUND</u>	<u>EMPLOYEE TAX FUND</u>	<u>TOTAL</u>
Cash	\$ <u>68413</u>	\$ <u>128</u>	\$ <u>68541</u>
TOTAL ASSETS	\$ <u><u>68413</u></u>	\$ <u><u>128</u></u>	\$ <u><u>68541</u></u>
 <u>LIABILITIES</u>			
Due to Other Funds	\$ 8729	\$	\$ 8729
Due to County	16978		16978
Due to Forest Park School	7048		7048
Due to State of Michigan	1158		1158
Due to ISD	734		734
Due to Other	33766		33766
Accrued Benefits		<u>128</u>	<u>128</u>
TOTAL LIABILITIES	\$ <u><u>68413</u></u>	\$ <u><u>128</u></u>	\$ <u><u>68541</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
GENERAL FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$	203827
Accounts Receivable		0
Delinquent Taxes Receivable		6904
Due from Other Funds		<u>8857</u>

TOTAL ASSETS	\$	<u>219588</u>
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LIABILITIES AND FUND EQUITY
LIABILITIES

Due to Other Funds	<u>0</u>
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TOTAL LIABILITIES	0
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FUND EQUITY

Fund Balance, Unreserved	<u>219588</u>
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TOTAL FUND EQUITY	219588
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TOTAL LIABILITIES AND FUND EQUITY	\$ <u>219588</u>
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The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES
GENERAL FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LOCAL SOURCES</u>			
<u>Taxes</u>			
General Property Taxes	\$ 63572	\$	\$
Other Taxes	<u>29046</u>		
Total Taxes	92618	87500	5118
Interest	4322	5000	(678)
Rents	270	500	(230)
<u>Other Revenue</u>			
Donations/Raffle	2549		
Fire Protection Agreement	500		
Land Division	0		
Sale of Property	9616		
Miscellaneous	<u>2008</u>		
Total Other Revenue	14673	35500	(20827)
TOTAL LOCAL SOURCES	111883	128500	(16617)
<u>STATE SOURCES</u>			
State Shared Revenue	<u>28482</u>	<u>26000</u>	<u>2482</u>
TOTAL STATE SOURCES	28482	26000	2482
<u>FEDERAL SOURCES</u>			
Domestic Preparedness Equipment Grant	<u>6969</u>		
TOTAL FEDERAL SOURCES	6969	-0-	6969
TOTAL REVENUES	147334	154500	(7166)

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF EXPENDITURES
GENERAL FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LEGISLATIVE</u>			
Township Board:			
Personal Services	\$ 1800	\$	\$
Fringe Benefits	136		
Pension Plan	6094		
Printing and Publishing	417		
Insurance and Bonds	12713		
Professional Services	3552		
Membership Dues	213		
Telephone	1		
Mileage	1793		
Miscellaneous	161		
Supplies	624		
Office Supplies	<u>1199</u>		
TOTAL LEGISLATIVE	\$ 28703	\$ 29565	\$ 862
<u>GENERAL GOVERNMENT</u>			
Supervisor:			
Salaries	\$ 10800	\$	\$
Fringe Benefits	<u>818</u>		
Total Supervisor	11618	12000	382
Assessment:			
Tax Roll Preparation	<u>2380</u>		
Total Assessment	2380	2600	220
Clerk:			
Salaries	8100		
Fringe Benefits	<u>613</u>		
Total Clerk	8713	9000	287
Treasurer:			
Salaries	7800		
Fringe Benefits	<u>591</u>		
Total Treasurer	\$ 8391	\$ 8575	\$ 184

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF EXPENDITURES GENERAL FUND ACTUAL AND BUDGET (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<u>GENERAL GOVERNMENT</u> (Continued)			
Elections:			
Salaries	\$ 676	\$	\$
Supplies	440		
Printing and Publishing	274		
Miscellaneous	99		
Total Elections	1489	1500	11
Board of Review:			
Salaries	525		
Fringe Benefits	40		
Total Board of Review	565	575	10
TOTAL GENERAL GOVERNMENT	\$ 33156	\$ 34250	\$ 1094
<u>TOWNSHIP PROPERTY</u>			
Township Hall:			
Salaries	\$ 9602	\$	\$
Supplies	990		
Utilities	2265		
Telephone	1329		
Repairs and Maintenance	79		
Mileage	87		
Lease Expense	24825		
Miscellaneous	18		
Fringe Benefits	727		
TOTAL TOWNSHIP PROPERTY	39922	43575	3653
<u>PUBLIC WORKS</u>			
Streets and Roads			
Wages	\$ 712	\$	\$
Repairs and Maintenance	396		
Gas and Oil	26		
Contract Services	96		
Fringe Benefits	54		
Total Streets and Roads	1284	1610	326
Street Lighting	6516	6600	84
TOTAL PUBLIC WORKS	\$ 7800	\$ 8210	\$ 410

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF EXPENDITURES
GENERAL FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>PUBLIC SAFETY</u>			
Fire Protection			
Contract Services	\$ 1650	\$	\$
Supplies	3311		
Printing	480		
Gas and Oil	247		
Repairs and Maintenance	216		
Insurance	237		
Mileage	77		
Other	<u>1272</u>		
TOTAL PUBLIC SAFETY	\$ 7490	\$ 6400	\$ (1090)
<u>PARKS AND RECREATION</u>			
Salaries	\$ 2418		
Gas and Oil	394		
Repairs and Maintenance	774		
Utilities	2136		
Refunds	0		
Other	115		
Supplies	24		
Mileage	207		
Fringe Benefits	<u>182</u>		
TOTAL PARKS AND RECREATION	\$ 6250	\$ 6500	\$ 250
<u>COMMUNITY PROMOTION</u>	665	0	(665)
<u>CAPITAL OUTLAY</u>	16117	17500	1383
TOTAL EXPENDITURES	\$ 140103	\$ 146000	\$ 5897
<u>OTHER FINANCING USES</u>			
Transfer to Other Funds			
Library Fund	1000	1000	0
Liquor Law Enforcement	278	0	(278)
Debt Service	<u>8458</u>	<u>8458</u>	<u>0</u>
TOTAL OTHER FINANCING USES	<u>9736</u>	<u>9458</u>	<u>(278)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ <u>149839</u>	\$ <u>155458</u>	\$ <u>5619</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
CEMETERY FUND

MARCH 31, 2004

ASSETS

Cash	\$	<u>7316</u>
TOTAL ASSETS		<u><u>7316</u></u>

FUND EQUITY

Fund Balance		<u>7316</u>
TOTAL FUND EQUITY	\$	<u><u>7316</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY CEMETERY FUND

FISCAL YEAR ENDED MARCH 31, 2004
(With Comparative Totals for Fiscal Year Ended March 31, 2003)

<u>REVENUES</u>	<u>2004</u>	<u>2003</u>
Charges for Services	\$ 4775	\$ 3860
Sale of Lots	<u>800</u>	<u>2200</u>
TOTAL REVENUES	5575	\$ 6060
 <u>EXPENDITURES</u>		
Personal Services	3052	\$ 4281
Fringe Benefits	231	327
Supplies	0	82
Miscellaneous	<u>22</u>	<u>50</u>
TOTAL EXPENDITURES	\$ 3305	\$ 4740
 Excess of Revenues Over (Under) Expenditures	 2270	 1320
 FUND BALANCE, APRIL 01	 <u>5046</u>	 <u>3726</u>
FUND BALANCE, MARCH 31	\$ <u>7316</u>	\$ <u>5046</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2004

ASSETS

Cash	\$	<u>-0-</u>
TOTAL ASSETS	\$	<u>-0-</u>

FUND EQUITY

Fund Balance	\$	<u>-0-</u>
TOTAL FUND EQUITY	\$	<u>-0-</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY LIQUOR LAW ENFORCEMENT FUND

FISCAL YEAR ENDED MARCH 31, 2004
(With Comparative Totals for Fiscal Year Ended March 31, 2003)

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Liquor Law Enforcement Fees	\$ <u>1292</u>	\$ <u>1297</u>
TOTAL REVENUES	\$ 1292	\$ 1297
<u>EXPENDITURES</u>		
Public Safety:		
Constable Wages	1390	1980
Mileage	<u>180</u>	<u>360</u>
TOTAL EXPENDITURES	\$ 1570	\$ 2340
Excess of Revenues over (Under) Expenditures	(278)	(1043)
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>278</u>	<u>1043</u>
Excess of Revenues and Other Financing Sources over (Under) Expenditures and Other Financing Uses	-0-	-0-
FUND BALANCE, APRIL 1	<u>-0-</u>	<u>-0-</u>
FUND BALANCE, MARCH 31	\$ <u>-0-</u>	\$ <u>-0-</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
AMASA COMMUNITY LIBRARY

MARCH 31, 2004

ASSETS

Cash	\$ <u>17683</u>
TOTAL ASSETS	\$ <u>17683</u>

FUND EQUITY

Fund Balance	\$ <u>17683</u>
TOTAL FUND EQUITY	\$ <u>17683</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY AMASA COMMUNITY LIBRARY

FISCAL YEAR ENDED MARCH 31, 2004
(With Comparative Totals for Fiscal Year Ended March 31, 2003)

<u>REVENUES</u>	<u>2004</u>	<u>2003</u>
Penal Fines	\$ 4922	\$ 5380
Donation	0	100
Interest	<u>131</u>	<u>206</u>
Total Revenues	5053	5686
 <u>EXPENDITURES</u>		
Telephone	1187	1295
Books and Periodicals	2686	2835
Supplies	165	346
Advertising	0	0
Capital Outlay	1598	0
Other	<u>100</u>	<u>142</u>
Total Expenditures	5736	\$ 4618
 Excess of Revenues Over (Under) Expenditures	(683)	1068
 <u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	<u>1000</u>	<u>1000</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	317	2068
 FUND BALANCE, APRIL 1	<u>17366</u>	<u>15298</u>
FUND BALANCE, MARCH 1	\$ <u>17683</u>	\$ <u>17366</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
DEBT SERVICE FUND

MARCH 31, 2004

ASSETS

Cash	\$	<u>-0-</u>
TOTAL ASSETS	\$	<u><u>-0-</u></u>

FUND EQUITY

Fund Balance	\$	<u>-0-</u>
TOTAL FUND EQUITY	\$	<u><u>-0-</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
(DEBT SERVICE FUND TYPE)

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	\$ -0-
<u>EXPENDITURES</u>	
<u>Debt Service</u>	
Principal	5000
Interest	<u>3458</u>
Total Expenditures	8458
Excess of Revenues Over (Under) Expenditures	(8458)
<u>Other Financing Sources (Uses)</u>	
Operating Transfers In (Out)	<u>8458</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-0-
FUND BALANCE, APRIL 1	<u>-0-</u>
FUND BALANCE, MARCH 31	\$ <u><u>-0-</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
HEMATITE TOWNSHIP BUILDING AUTHORITY

(DEBT SERVICE FUND TYPE)

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ <u>614</u>
TOTAL ASSETS	\$ <u>614</u>

FUND EQUITY

Fund Balance	\$ <u>614</u>
TOTAL FUND EQUITY	\$ <u>614</u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
HEMATITE TOWNSHIP BUILDING AUTHORITY

(DEBT SERVICE FUND TYPE)

FISCAL YEAR ENDED MARCH 31, 2004

REVENUES

Rental Income	\$ 24825
Interest Income	<u>8</u>
TOTAL REVENUES	\$ 24833

EXPENDITURES

Principal	20000
Interest	<u>4825</u>
TOTAL EXPENDITURES	\$ 24825

Excess of Revenues over (under) Expenditures	8
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FUND BALANCE, APRIL 1	<u>606</u>
FUND BALANCE, MARCH 31	\$ <u><u>614</u></u>

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

BALANCE SHEET
WATER FUND

MARCH 31, 2004

ASSETS

CURRENT ASSETS

Cash and Deposits	\$ 15608
Accounts Receivable	<u>2736</u>

TOTAL CURRENT ASSETS	\$ 18344
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FIXED ASSETS

Property, Plant, and Equipment	2590
Accumulated Depreciation	<u>(916)</u>

TOTAL FIXED ASSETS	1674
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TOTAL ASSETS	\$ <u>20018</u>
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LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	10840
Deferred Revenue	<u>1314</u>

TOTAL LIABILITIES	12154
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FUND EQUITY

Retained Earnings	<u>7864</u>
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TOTAL LIABILITIES AND FUND EQUITY	\$ <u>20018</u>
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The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WATER FUND**

FISCAL YEAR ENDED MARCH 31, 2004
(With Comparative Totals for Fiscal Year Ended March 31, 2003)

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUE</u>		
Charges for Services	\$ <u>50744</u>	\$ <u>25472</u>
TOTAL OPERATING REVENUE	\$ 50744	\$ 25472
<u>OPERATING EXPENSES</u>		
Personal Services	4178	3355
Fringe Benefits	320	257
Supplies	880	462
Repairs and Maintenance	2757	4397
Engineering	44215	17514
Water Purchases	9973	7338
Depreciation	370	275
Legal/Professional Fees	1828	0
Dues/Memberships	782	0
Other	<u>1179</u>	<u>1435</u>
TOTAL OPERATING EXPENSES	\$ 66482	\$ 35033
Operating Income (Loss)	(15738)	(9561)
<u>NON-OPERATING INCOME</u>		
Interest Income	<u>327</u>	<u>878</u>
Net Income (Loss)	(15411)	(8683)
RETAINED EARNINGS, APRIL 1	<u>23275</u>	<u>31958</u>
RETAINED EARNINGS, MARCH 31	\$ <u>7864</u>	\$ <u>23275</u>

The notes to financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)	<u>WATER FUND</u>
<u>OPERATING ACTIVITIES</u>	
Net cash received from fees and services	\$ 50849
Other operating revenues	0
Cash payments to employees for services	(4498)
Cash payments for goods and services	(51782)
Other operating expenses	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ (5431)
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>	
(Increase) decrease in due from other funds	0
Net operating transfers in (out)	<u>0</u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	0
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	<u>0</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0
<u>INVESTING ACTIVITIES</u>	
Interest Income	<u>327</u>
NET CASH FROM INVESTING ACTIVITIES	\$ 327
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5104)
Cash and Cash Equivalents, Beginning of Year	<u>20712</u>
Cash and Cash Equivalents, End of Year	\$ 15608

The notes to the financial statements are an integral part of this report.

HEMATITE TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (15738)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	370
. Provision for uncollectible accounts	
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	(879)
Increase (Decrease) in accounts payable	9832
Increase (Decrease) in customer deposits	0
Increase (Decrease) in deferred revenue	984
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(5431)</u>

The notes to the financial statements are an integral part of this report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Hematite Township
Amasa, Michigan 49903

We have audited the financial statements of the governmental activities and each major fund as of and for the year ended March 31, 2004, which collectively comprise **Hematite Township's** financial statements, and have issued our report thereon dated July 06, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether **Hematite Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Hematite Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of **Hematite Township**, Amasa, Michigan, in a separate letter dated July 06, 2004.

This report is intended for the information of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

July 06, 2004

DS Rostagno, CPA, P.C.

**101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042**

July 06, 2004

Members of the Township Board
Hematite Township
Amasa, Michigan 49903

I have audited the financial statements of **Hematite Township** for the year ended March 31, 2004, and have issued my report thereon dated July 06, 2004. Professional standards require that I provide you with the following information related to the audit:

My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated April 30, 2003, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of **Hematite Township**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of **Hematite Township's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Hematite Township** are described in the Note to the financial statements. With the exception of the implementation of GASB 34, there were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by **Hematite Township** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by **Hematite Township** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on **Hematite Township's** financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Page Three

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Hematite Township's** auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of **Hematite Township** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board
Hematite Township
Amasa, Michigan 49903

In planning and performing the audit of the financial statements of **Hematite Township**, I considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated July 06, 2004, on the financial statements of **Hematite Township**. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

BUDGETS

Problem

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated.

During the fiscal year ended March 31, 2004, the Township incurred several expenditures which were in excess of the amounts appropriated.

Recommendation

Periodically, budgeted amounts should be compared to actual expenditures, and the budget should be amended accordingly.

GENERAL LEDGER

Problem

In conjunction with the prior several audits, it was noted that the Township did not maintain a complete general ledger as required by generally accepted accounting principles.

Recommendation

It was recommended that the Township implement an accounting system that complies with generally accepted accounting principles. To accomplish this, it was recommended that the Township implement a computerized accounting system. The Township could then set up a new and complete general ledger for each of its funds, with monthly postings agreed to the receipts and disbursements journals and to the Treasurer's monthly report.

Hematite Township
Page Two

GENERAL LEDGER (Continued)

Current Recommendation

A computerized accounting system that complies with generally accepted accounting principles should be utilized.

I wish to thank the Township's Supervisor, Clerk, and Treasurer for their support and assistance during my audit.

This report is intended solely for the information and use of the Township Board.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

July 06, 2004